

International
Support
Policies
to
South-East
European
Countries

Lessons
(Not)
Learned
In

CHAPTER XV

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INTERNATIONAL SUPPORT POLICIES IN SOUTH EAST EUROPE – TOWARDS A NEW APPROACH

1. The evaluation of experiences and results of international support policies in Bosnia-Herzegovina, presented in the preceding chapters of this Study was, naturally, aimed at an analysis of the practices in B-H and recommendations for policies within the framework of the Stability Pact.

Recommendations are given, in a more or less developed form, at the end of each chapter, and there is no reason for their replication here.

More interestingly, an analysis of the practice of international support policies in B-H has clearly demonstrated the need for a critical reassessment, not only of international support policies themselves, but of the broader processes and concepts of which they are a part; above all, the globalization process and the concept of developmental aid. Here, we will attempt, on the basis of the B-H experience, to identify the basic problems and risks, and to develop recommendations of possible use for discussion of globalization and developmental aid. In other words, this Study can provide realistic arguments and practical evidence for required changes.

2. Globalization, understood as the growing interdependency and interlinking of the contemporary world, is a unstoppable process. It "started" long ago, through the development of the global market, to achieve its current forms and impetus at the end of the Cold War, through the elimination of ideological and political borders. Not entering the globalization discussion itself, it seems that it is at a crossroads. Badly managed, it can lead to new divisions between, on the one side, growing poverty and the marginalization of a large part of the world, and, on the other side, the increasing wealth and power in a decreasing number of countries that are at the head of technological progress, and that influence financial markets and transnational companies. Properly managed, globalization can create a new wealth and opportunities to overcome the problem of poverty in the world.¹

2.1. Controversy linked to globalization has already led to the development of an anti-globalization position and activities. The reason for this is the element of the bad conceptualization of the globalization process itself that is present. Changes of the globalization process are preconditions for avoiding new political divisions of the world and all sorts of new conflicts.

2.2. Globalization is not just a spontaneous process, as, similarly, the free market is not just a spontaneous mechanism. Behind them lies a conceptually-defined orientation, organizations, instruments and institutions that enable them. Thus, a reorientation of the globalization process is not a "tilting with windmills", but rather a

¹ For more detail see, *Eliminating World Poverty: Making Globalisation Work for the Poor*, White Paper on International Development, p. 15.

redefinition of the basic concept, modification of instruments and reform of institutions of significance to the globalization process itself. In simple terms, the globalization "policy" should be modified, even though it seems that this "policy" is nonexistent.

2.3. The conceptual basis of globalization is, since the 1980s, made up of the market fundamentalism already mentioned and analyzed in the context of the transition of the B-H economy in this Study. Market fundamentalism (regarded as a rediscovered and laissez-faire ideology), only in the short-term, can seem to be appropriate for the financial and technological "center" (the wealthiest countries and largest transnational companies). The intensification and expansion of "peripheral" poverty,² will in time stop globalization. In this case, interdependency will not be possible because of the increased differences in development levels. Previous ideological divisions of the world are suppressed by the division within economic development and possibilities of active participation in globalization, its "gains" and "losses". Domination based on this will generate resistance, crises and wars, and will be a threat to peace and security in the world.

Therefore, unless we leave behind market fundamentalism as a conceptual basis for globalization, the necessary reorientation in the process of developing a stable and wealthier world will be impossible.

3. The basic indicator for the true need for reorientation of globalization is global poverty. As traditionally understood, poverty in the undeveloped countries, statistically, has to a certain degree begun to decrease (primarily due to economic growth in India and China during the final decade of the last century). On the other hand, there has been a large increase in poverty in ex-socialist countries. They, with certain central European exceptions, today *de facto* make up the "new South".³

4. International organizations and existing concepts of development assistance, in many cases reflect the existing orientation of the globalization process and market fundamentalism as its "cornerstone".

5. The existing globalization process is characterized by two basic paradoxes:

5.1. The paradox between globalization and the traditional understanding of the sovereignty of the national State. It is unquestionable that sovereignty has to be redefined in order to enable the positive effects of fulfilling human rights and security, for example. A "limitation" of classical sovereignty requires the development of new approaches and policies of international and local actors.

5.1.1. However, the need for a reinterpretation of the sovereignty of the State must not mean the neglect of the characteristics of countries and societies and the concrete identity of communities. Thus, the problem of sovereignty is less important than the need for adapting global processes, particularly in the economy, to the characteristics

² The first analysis of the division into the "center" and "periphery" can be seen in the works of S. Amin, for example, *Akumulacija kapitala u svjetskim razmjerima* (*Accumulation of Capital in Global Exchanges*), Belgrade, 1978.

³ It is thus analytically important and well founded to view "countries in transition" as "developing countries". See: *Eliminating World Poverty: Making Globalisation Work for the Poor*, White Paper on International Development, ibidem, p. 13.

of countries. Radical universalism, as history demonstrates, at least when talking of the ex-socialist part of the world, always led to the totalitarianism of superstructures. In ex-socialist countries, the process of democratization always started with the fight for a "specific path to socialism", in other words, for the emancipation from the "center". This, historically, creates an opportunity for today's globalization. But this certainly does not mean that they should have to face the need for a fight for a "specific path to market economy" or "globalization".

5.1.2. The more important part of this is that a redefinition of the sovereignty of the State together with the lack of adaptation of transition policies can lead to, and has led to, weak States in ex-socialist countries. The strong bureaucratic State has fallen apart (often into equally bureaucratic, decentralized parts), while a system of State institutions, with a transparent serving of its citizens, was not built.

A weak State (and B-H is an example today) facilitates the formation of parallel structures which have real power, organized crime and corruption. Legal, social, etc. security of citizens in these conditions, is greatly threatened, while the development of civil society and democracy is prevented. The open society is directly threatened through such conditions.

5.2. An important, but much underestimated paradox, is that we have the rapid development of the global market but absolutely no development of global public goods, no development of a global open society, and no development of global democratic forces.⁴

Therefore, the globalization of the economy is proceeding without globalization in other, equally important sectors. Global poverty can certainly not be conquered without the globalization of social policies, for example. What is more important is that the globalization process will remain without the democratic control of a civil society, which remains within the limits of the State and can only be expressed through a very simplified approach, as an anti-globalization activity. It can easily be concluded that this high-risk over-simplification of globalization is the consequence of market fundamentalism, which conceptually dominates today's globalization process.

6. The analysis of international support and assistance policies based on the practical experiences of B-H has clearly demonstrated the following:

6.1. Economic transition based on market fundamentalism has proven to be unsuccessful. Bearing in mind the characteristics of the post-war conditions in B-H, the problems and failures of transition were greater than in other transition countries. It has been clearly shown that the concept of transition must take into account the specific conditions of the country in question. (See chapters I, IV, V, VI and VII.)

6.2. Development aid, which was vast in B-H, showed very low cost efficiency. It seems that the weakness of the concept of development aid in B-H was more evident than in other countries. Primarily, this was due to underestimating local capacities and consequentially, neglecting the development of the social sector and to the total lack of links between economic and social reconstruction. One consequence is that post-war poverty in B-H has not decreased, even after 5 years of international assistance. On

⁴ The problem was elaborated in the presentation of G. Soros at the meeting of OSF Executive Boards in Budapest on 24.06.2001.

the contrary, there are signs that it has actually increased, and this will be dramatically accelerated through decrease in assistance and the effects of privatization of the economy. (See chapters I, VIII, IX and XIV.)

6.3. The international organizations active in B-H are part of the problem, not the solution. The "culture of dominance" stands out through their lack of coordination and absence of a clear strategy.

This picture was clearer in B-H probably due to the fact that this is a European country with great local capacities. The dependency of the country on economic assistance was formed through a number of ways, and has thus expanded to all social structures and institutions. (See chapters III, X, XI, XII and XIII.)

7. Can the B-H experience also be of use to the reassessment of the concept and practice of globalization? We begin with the globalization concept since, without its change, significant changes of international support policies critically evaluated through the B-H example will not be possible.

The B-H experience points to the need for a reorientation and re-conceptualization of the globalization process in the following fields:

7.1. Global instruments and policies for the fight against poverty and the prevention of new poverty have to be developed. The global market and transition towards market economies without the globalization of public goods and social policies will be faced with serious limitations.

7.2. Development aid should have, as its global aim, the strengthening of local capacities, and it should be implemented in cooperation with local authorities. The "stipulation" policy has not proven to be effective anywhere. It has to be exchanged for a policy of local responsibility. This is a precondition for the development of economic and social sustainability of the countries being assisted.⁵

7.3. The need for greatly increasing cost efficiency of international support policies is evident. In order to achieve this, they have to have an integrated approach and be more coordinated, transparent and accountable to assistance beneficiaries.

The fundamental issue is, what part of international assistance reaches the beneficiary, what part of the assistance budget is truly used for assistance? Implementation costs drastically decrease real assistance. This is one of the basic reasons for the low cost efficiency of assistance policies.

The engagement of local human resources, and complete reliance on local goods and services, should be a priority of new assistance policies. This would make the implementation costs an integral part of the assistance.

7.4. Global cooperation of civil and democratic movements and organizations should be initiated, which would, through circles of regional and wider alliances, be able to influence the globalization process itself.⁶ Cooperation of democratic governments is insufficient. Put in other terms, regional and wider cooperation of civil society organizations will strengthen the democratic character of cooperation between

⁵ For more detail see: *Achieving Sustainability – Poverty Elimination and the Environment*, DFID, October, 2000.

⁶ See: *Democracy Coalition Project*, (Concept Paper), Open Society Institute, 11 June 2001.

governments, as well as the globalization of an open society. We believe that positive political changes would have been reached earlier in B-H (as well as in Croatia and Serbia) had the regional aspect of activities of civil society organizations been more emphasized.

Strengthening the role of civil society at the local level, and its transnational cooperation, is complementary.

8. The B-H experiences in particular demonstrate the need for a transition of international organizations.

8.1. The crisis within international organizations and international support policies has been clearly demonstrated with the analytical finding that these policies have proven inadequate in the case of B-H and, at the same time, that an inability to learn the lessons from B-H and to modify and change policies in Kosovo and Macedonia has also been shown. The lack of cooperation and coordination of international organizations within new global conditions has been confirmed both in B-H and then again in Kosovo.

8.2. The transition of international organizations should, as a base, have the changes in intergovernmental powers and the shifting of power from the governmental to non-governmental actors; be directed at overcoming the legacy of colonialism and the Cold War; and be indicative of the expansion of the private sector in global affairs and the expanding role of civil society organizations.⁷

The existing international institutional framework has to be reformed in order to facilitate the new globalization "policy"; above all, regarding the balance of global economic development and global society, its global openness for improvements and opportunities for offering global public goods. It is important for the existing positive achievements and potentials of international institutions to be transferred to the reformed institutions.

9. The globalization process, as we have already mentioned, bears new risks and, at the same time, provides huge opportunities for general improvement and well-being. The global market is an important achievement; it might also be considered to be part of global public welfare. International instruments that would enable the achievement of global social objectives and a global open society should be developed, in order to conserve and promote public welfare and international instruments that enable it.

Assistance development policies should be oriented in this direction.

10. Regional associations are also an integral part of globalization. They represent, at the same time, a method for implementing the globalization processes, as well as a control instrument for the globalization impact by specific regional interests. The European Union is the best example.

10.1. South East European countries see their future within the European Union, and in different phases of European integration. This will be a very long process. In the meantime, there is a need, and opportunity, for the regional linking of South East

⁷ For more detail see: National Security Council, The White House: *The Transition Project: Strategies for Transitioning to the Next-Generation International Institutions*, Action Memorandum – Proposed US Presidential Initiative, Washington, 4 July 2000.

European countries, which could enable a relatively rapid regional articulation of participation in globalization and could accelerate the process of integration into the European Union for all regional countries. This possibility is offered by the Stability Pact, if the Pact itself changes its approach to the region and policies for support in the regional countries are changed. (See chapter II)

10.2. The change of the Stability Pact approach should primarily be related to the following areas

10.2.1. Developing a unified economic South East European region, i.e. the creation of a regional economic association.

10.2.2. The Stability Pact Regional Support Policies should be oriented towards this process and should support development of the regional economic association.

10.2.3. In this context, the integration process of countries into the European Union could have specific dynamics for certain countries, but it would increase, for each of them, the potentials needed for fulfilling European Union criteria. Therefore, arrangements and policies of a regional linkage should follow the European Union conception and criteria.

10.2.4. It is important to develop regional "globalization" of civil and democratic initiatives, and to aim towards the regionalization of the open society. The distinct similarity of the countries makes this not only possible, but also relatively readily achievable.

10.2.5. There needs to be a systematic utilization of the good and bad experiences of international support policies in B-H, in developing new policies of the Stability Pact in South East European countries. Primarily, the development of policies and their objectives in full partnership with local authorities, the civil and private sector, the development of support policies complementary to the economic and social sectors, a focus on the fight against poverty, and precise orientation of policies, in all sectors, towards the implementation of sustainability, including preventative policies in relation to the formation of dependence on international assistance.

11. There is an old saying that even a path which is one thousand miles long begins with the first step. Let us take this step.

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